

Message Text

CONFIDENTIAL

PAGE 01 HAVANA 00506 01 OF 02 242323Z
ACTION ARA-14

INFO OCT-01 EUR-12 ISO-00 SOE-02 AID-05 CEA-01 CIAE-00
DODE-00 EB-08 DOE-11 H-01 INR-10 INT-05 L-03
NSAE-00 NSC-05 OMB-01 PM-05 USIA-06 OES-07 SP-02
SS-15 STR-07 TRSE-00 ACDA-12 PA-01 AGRE-00 /134 W
-----028703 242346Z /14

R 241631Z FEB 78
FM USINT HAVANA
TO SECSTATE WASHDC 1248
INFO AMEMBASSY MOSCOW
USDOC WASHDC

C O N F I D E N T I A L SECTION 1 OF 2 HAVANA 506

EO 11652: GDS
TAGS: ENRG CU UR
SUBJ: SOVIETS ASSURE CUBANS ON OIL SUPPLIES AND PRICE

1. SUMMARY: ACCORDING TO CUBAN PETROLEUM SECTOR PERSONNEL,
SOVIETS HAVE INFORMALLY TOLD CUBANS THAT THEY ARE WILLING
TO DOUBLE CURRENT PETROLEUM DELIVERIES AND MAINTAIN RELATIVELY
STABLE PRICE IN PERIOD TO 1985. WIDE RANGE OF OTHER PETROLEUM
SECTOR TOPICS IS ALSO COVERED.
END SUMMARY.

2. USINT OFFICER, FEBRUARY 22, CALLED ON BASILIO RODRIGUEZ
RODRIGUEZ, DIRECTOR-GENERAL OF INTERNATIONAL RELATIONS, AND
GUILLERMO TURJILLO, DIRECTOR OF PRODUCTION (PETROLEUM AND GAS
SECTOR), MINISTRY OF CHEMICAL INDUSTRY. (FYI APPOINTMENT
REQUEST WITH PETROLEUM SECTOR OFFICIALS HAS BEEN PENDING WITH
MINREX SINCE SEPTEMBER. WE INTERPRET GRANTING OF THIS AND
SEVERAL OTHER LONG-PENDING APPOINTMENTS AS GESTURES BY GOC AT
TIME OF US CONCERN OVER CUBAN ROLE IN AFRICA. END FYI.)

3. TRUJILLO (WHO STATED THAT HE WORKS UNDER VICE-MINISTER
OF PRODUCTION ELISEO GAVILAN) CONFIRMED THAT CUBANS WOULD
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 HAVANA 00506 01 OF 02 242323Z

IMPORT NINE MILLION, FIVE HUNDRED THOUSAND METRIC TONS OF
CRUDE PETROLEUM FROM SOVIET UNION IN 1978. (COMMENT:
FIDEL CASTRO CITED THIS FIGURE IN HIS DECEMBER 24 PODER
POPULAR SPEECH.) TRUJILLO ADDED THAT CUBANS, IN ORDER TO
SATISFY DOMESTIC REQUIREMENTS, WILL HAVE TO IMPORT ANNUALLY
SOME NINETEEN MILLION METRIC TONS OF CRUDE PETROLEUM BY
1985. CUBANS HAVE BEEN TOLD BY SOVIETS THAT THIS WILL

REPRESENT "NO PROBLEM" FOR MOSCOW.

4. PRICING OF SOVIET CRUDE, TRUJILLO SAID, IS BASED ON A 1976 TO 1980 SOVIET-CUBAN AGREEMENT THAT HAS RECENTLY BEEN SUPERSEDED BY A REVISED THREE YEAR 1978 TO 1980 SOVIET-CUBAN AGREEMENT. UNDER THE NEW THREE YEAR AGREEMENT, TRUJILLO CONTINUED, THE PRICE FOR SOVIET CRUDE WILL REMAIN HIGHLY FAVORABLE, FIXED AND STABLE WITH ONLY EVERY SMALL PERCENTAGE INCREASES TAKING PLACE EACH YEAR BASED ON "PREDICTIONS OF THE SOVIET ECONOMIC SITUATION AND THE POSSIBILITIES AVAILABLE FOR MARKETING SOVIET CRUDE ON WORLD MARKET"". TRUJILLO AND RODRIGUEZ EXPLICITLY DENIED THAT CUBA IS SUBJECT TO SLIDING FIVE-YEAR-BASED EASTERN EUROPEAN PRICE FORMULA WHICH ESTABLISHES AVERAGE BETWEEN PAST PRICES PAID AND CURRENT OPEC PRICE. (BUCHAREST PRICE PRINCIPLE). FURTHERMORE, THEY SAID, SOVIETS HAVE ASSURED CUBANS THAT PRICE DURING 1981 TO 1985 FIVE YEAR PLAN PERIOD WILL NOT "FUNDAMENTALLY DIFFER" FROM CURRENT FAVORABLE, RELATIVELY STABLE PRICE. (COMMENT: PRICE OF CUBAN SUGAR EXPORTS INCREASE IN ACCORDANCE WITH PRICE INCREASES OF BASKET OF SOVIET COMMODITIES INCLUDING PETROLEUM. WE WERE TOLD LAST YEAR - SEE 77 HAVANA 215 THAT SOVIET CIF PRICE FOR CRUDE TO CUBA WAS 40 TO 50 PERCENT BELOW OPEC PRICE, DEPENDING ON GRADE. TRUJILLO, ON THIS OCCASION, SAID THAT PRICES DID NOT MARKEDLY CHANGE BETWEEN 1977 AND 1978. THIS IS FIRST TIME WE HAVE HEARD, HOWEVER, THAT SOVIETS HAVE INFORMALLY GUARANTEED RELATIVELY STABLE PETROLEUM PRICE TO CUBA, EXTENDING UP TO 1985. IF THIS IS CASE, CONFIDENTIAL

CONFIDENTIAL

PAGE 03 HAVANA 00506 01 OF 02 242323Z

AND SOVIETS HAVE COMMITTED THEMSELVES IN POST-1980 PERIOD TO DELIVER UP TO DOUBLE THE ANNUAL SUM OF PETROLEUM THEY CURRENTLY SUPPLY TO CUBA - SEE PARA 2 - CASTRO'S DECEMBER 24 ANNOUNCEMENT THAT CUBA IS GOING TO INTEGRATE ITSELF INCREASINGLY WITH SOCIALIST CAMP OVER LONG TERM BECOMES MORE UNDERSTANDABLE-. EQUALLY, CASTRO'S EXPRESSION OF INDEPENDENCE FROM US ON DECEMBER 24 ALSO FALLS INTO CLEARER PERSPECTIVE WITH INTERESTING IMPLICATIONS FOR ENTIRE NORMALIZATION PROCESS.)

5. TRUJILLO ADDED THAT NEW THREE YEAR AGREEMENT WAS NEGOTIATED TO COINCIDE WITH IMPLEMENTATION OF NEW CUBAN PLAN FOR DIRECTION AND PLANNING OF ECONOMY. (COMMENT: WHILE TRUJILLO DID NOT ELABORATE, USINT PRESUMES THAT CUBANS WISHED TO HAVE RELATIVELY STABLE PETROLEUM PRICE OVER MEDIUM TERM IN ORDER TO BE ABLE BETTER TO IMPLEMENT NEW PLANNING/MANAGEMENT PROCEDURE THAT RESTS ON REAL COST/PROFITABILITY CALCULATIONS.) ACCORDING TO TRUJILLO, CUBAN PRICES OF GASOLINE USED BY STATE SECTOR NOW TAKE INTO ACCOUNT REAL TOTAL COSTS OF PRODUCTION, WHILE GASOLINE PRICES FOR PRIVATELY-OWNED CARS CONSIDERABLY EXCEED REAL COST. (COMMENT: MOST CUBAN ECONOMIC ORGANS, PENDING CURRENT EFFORT TO REFORM PRICE STRUCTURE, STILL USE 1958 PRICES,

NOT REAL COSTS. WE DO NOT YET HAVE GASOLINE PRICE DATA
FOR STATE ORGANS. GASOLINE PRICE FOR PRIVATE CARS UNDER
TWENTY-GALLON PER MONTH RATION SYSTEM IS 60 CENTAVOS
PER GALLON-SEE HAVANA A04 DATED FEBRUARY 15, 1977.)

CONFIDENTIAL

NNN

CONFIDENTIAL

PAGE 01 HAVANA 00506 02 OF 02 242324Z
ACTION ARA-14

INFO OCT-01 EUR-12 ISO-00 SOE-02 AID-05 CEA-01 CIAE-00
DODE-00 EB-08 DOE-11 H-01 INR-10 INT-05 L-03
NSAE-00 NSC-05 OMB-01 PM-05 USIA-06 OES-07 SP-02
SS-15 STR-07 TRSE-00 ACDA-12 PA-01 AGRE-00 /134 W
-----028707 242345Z /14

R 241631Z FEB 78
FM USINT HAVANA
TO SECSTATE WASHDC 1249
INFO AMEMBASSY MOSCOW
USDOC WASHDC

C O N F I D E N T I A L SECTION 2 OF 2 HAVANA 0506

6. TRUJILLO SAID THAT NEW CIENFUEGOS REFINERY BEING
BUILT BY SOVIETS (AND SCHEDULED FOR COMPLETION IN 1983-85)
WILL TAKE CARE OF SOME SEVENTY PERCENT OF CUBAN REFINING
NEEDS IN NEXT DECADE. EXISTING HAVANA AND SANTIAGO
REFINERIES WILL COVER REMAINDER OF REQUIREMENTS. TRUJILLO
STATED THAT CUBAN GOVERNMENT IS AWARE THAT NO NEW REFINERY
IS ECONOMICALLY COST-EFFECTIVE, BUT THAT GOC HAS MADE
DECISION TO SECURE AUTONOMOUS REFINERY CAPABILITY IN
ORDER TO AVOID HAVING TO RELY ON IMPORTATION OF FINISHED
PRODUCTS. (COMMENT: TRUJILLO APPEARED TO IMPLY THAT
MAINTENANCE OF AUTONOMOUS REFINING CAPACITY WOULD PRESERVE
GOC'S ECONOMIC "INDEPENDENCE".) TRUJILLO INDICATED IN
CONNECTION WITH LARGER ANTICIPATED OIL SHIPMENTS THAT
SOVIETS ARE NOW REGULARLY USING SUPERTANKERS IN TRAFFIC
WITH CUBA. (COMMENT: VICE-MINISTER OF TRANSPORT
FERNANDEZ TOLD USINT OFFICERS, FEBRUARY 10, THAT SUPER-
TANKERS ARE NOW UNLOADED IN BAY OF NIPE BY CUBAN COSTAL
TANKERS WHICH, IN TURN, DELIVER PETROLEUM TO REFINERIES.
FERNANDEZ SAID TRANSPORT MINISTRY IS STUDYING BUILDING OF
PERMANENT SUPERTANKER PORT IN EITHER CIENFUEGOS, BAY OF
NIPE, OR MATANZAS.)

CONFIDENTIAL

CONFIDENTIAL

PAGE 02 HAVANA 00506 02 OF 02 242324Z

7. TAKING INTO ACCOUNT INCREASED SOVIET PETROLEUM ASSISTANCE, TRUJILLO ADDED, CUBANS ARE ORGANIZING INTENSIVE EFFORT TO LIMIT WASTE OF FUELS. (COMMENT: CASTRO'S FEBRUARY 15 SPEECH AT MARIEL IN PRESENCE OF SOVIET AMBASSADOR MADE THIS POINT STRONGLY, PARTICULARLY WITH REGARD TO PETROLEUM USE IN ELECTRICAL POWER GENERATION.) A HIGH-LEVEL CUBAN INTER-DEPARTMENTAL COMMISSION HAS BEEN FORMED, TRUJILLO ADDED, TO STUDY ENERGY CONVERSATION AND POSSIBLE ENERGY ALTERNATIVES FOR COUNTRY (FOR EXAMPLE, USE OF PEAT).

8. WITH REGARD TO PETROLEUM REFINING BY PRODUCTS, TRUJILLO SAID THAT NAPHTHA WOULD CONTINUE TO BE IMPORTANT CUBAN EXPORT SECTOR WELL INTO NEXT FIVE YEAR PLAN AND POSSIBLY BEYOND. WHILE NAPHTHA WILL BE USED IN DOMESTIC AMMONIA MANUFACTURE (WHICH, IN TURN, FIGURES IN UREA PRODUCTION FOR FEED AND FERTILIZER), CUBANS HOPE TO CONTINUE TO HAVE SURPLUS FOR EXPORT FOR CONSIDERABLE PERIOD OF TIME. (FYI: POINTING TOWARD POST-EMBARGO FUTURE, CUBANS SAID US WOULD BE ABLE TO BENEFIT FROM LOW CUBAN PETROLEUM COSTS BY BUYING CHEAP CUBAN NAPHTHA OR AMMONIA. CUBANS ALSO MADE REFERENCE TO OCCIDENTAL PETROLEUM AMMONIA/PHOSPHATE DEAL WITH SOVIET UNION, NOTING THAT OCCIDENTAL'S PHOSPHATES COME FROM NEARBY FLORIDA. END FYI) CUBANS NOTED THAT ONE REASON FOR CURRENT NAPHTHA SURPLUS IS FACT THAT BRITISH (SIMON,CARR)-BUILT AMMONIA PLANT IN CIENFUEGOS ("A FRAUD, "A DISASTER") HAS COMPLETELY BROKEN DOWN, DESPITE EFFORTS OF SOVIET TECHNICIANS TO RESTORE PRODUCTION. CUBANS ARE CURRENTLY IN MARKET FOR AMMONIA PLANTS IN CIENFUEGOS (TO USE NEW REFINERY OUTPUT) AND NUEVITAS TO REMEDY THIS DEFICIENCY.

9. REGARDING FUTURE DEVELOPMENT PROSPECTS, RODRIGUEZ INDICATED THAT CUBANS' MINIMAL OBJECTIVE IS ONLY

CONFIDENTIAL

PAGE 03 HAVANA 00506 02 OF 02 242324Z

TO SATISFY DOMESTIC CONSUMPTION NEEDS FOR FUELS AND FERTILIZERS. BUT OTHER DEVELOPMENT OPTIONS HAVE BEEN STUDIED AND MAY BE IMPLEMENTED, DEPENDING ON AVAILABILITY OF CREDIT AND CUBAN ECONOMIC CONDITIONS. CUBANS ARE PARTICULARLY INTERESTED, FOR EXAMPLE, IN DOMESTIC MANUFACTURE OF POLYVINYL, SYNTHETIC FIBERS, AS WELL AS CARBON BLACK, AND NYLON (PARTICULARLY FOR TIRES).
LANE

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PETROLEUM, SALES, PRICE STABILITY
Control Number: n/a
Copy: SINGLE
Draft Date: 24 feb 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978HAVANA00506
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D780086-1016
Format: TEL
From: HAVANA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780218/aaaaaooq.tel
Line Count: 222
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: e0d338d0-c288-dd11-92da-001cc4696bcc
Office: ACTION ARA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 22 jul 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3490672
Secure: OPEN
Status: NATIVE
Subject: SOVIETS ASSURE CUBANS ON OIL SUPPLIES AND PRICE
TAGS: ENRG, ETRD, CU, UR
To: STATE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/e0d338d0-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014